



Industry Focus: INFORMATION & COMMUNICATION TECHNOLOGY (ICT)

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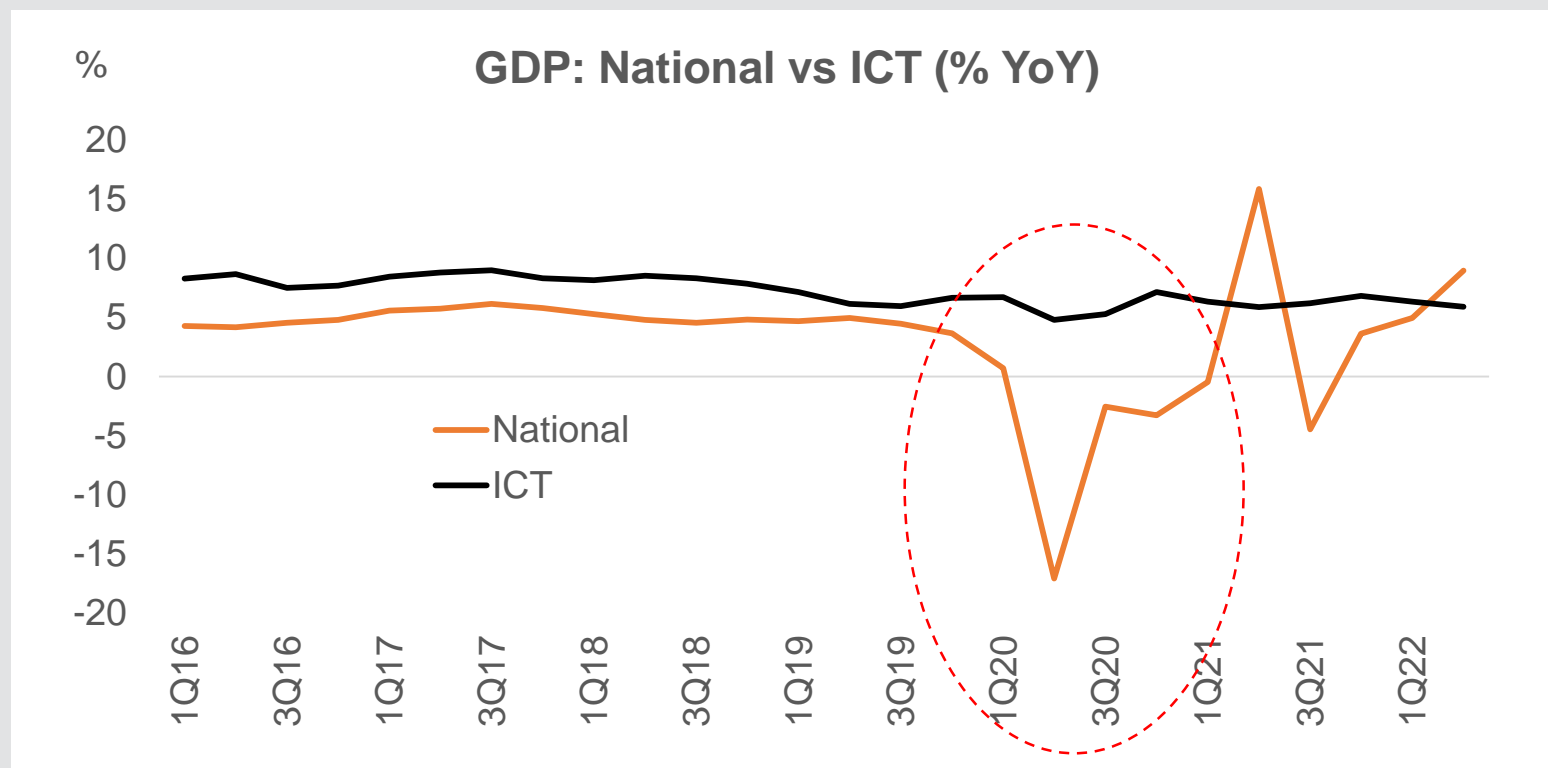
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National target for the **digital economy** to contribute **>25.5% to country's GDP by 2025** (2020: 22.6%) and government's numerous initiatives (e.g. JENDELA, DNB, MYDIGITAL) in pursuing this, suggest a **bright outlook for ICT subsectors**. Moreover, SME Bank's SMEs sentiment index has showed that **63.3% of SMEs will focus on digitalisation in the next 6 – 12 months**, lending more support to the demand for ICT services.

Sub-Sector	Outlook
Telecommunications	Positive
Computer programming, consultancy, and related activities	Positive
Information services activities	Positive

Resilient ICT growth was observed despite a decline in national GDP



1 Telecommunications

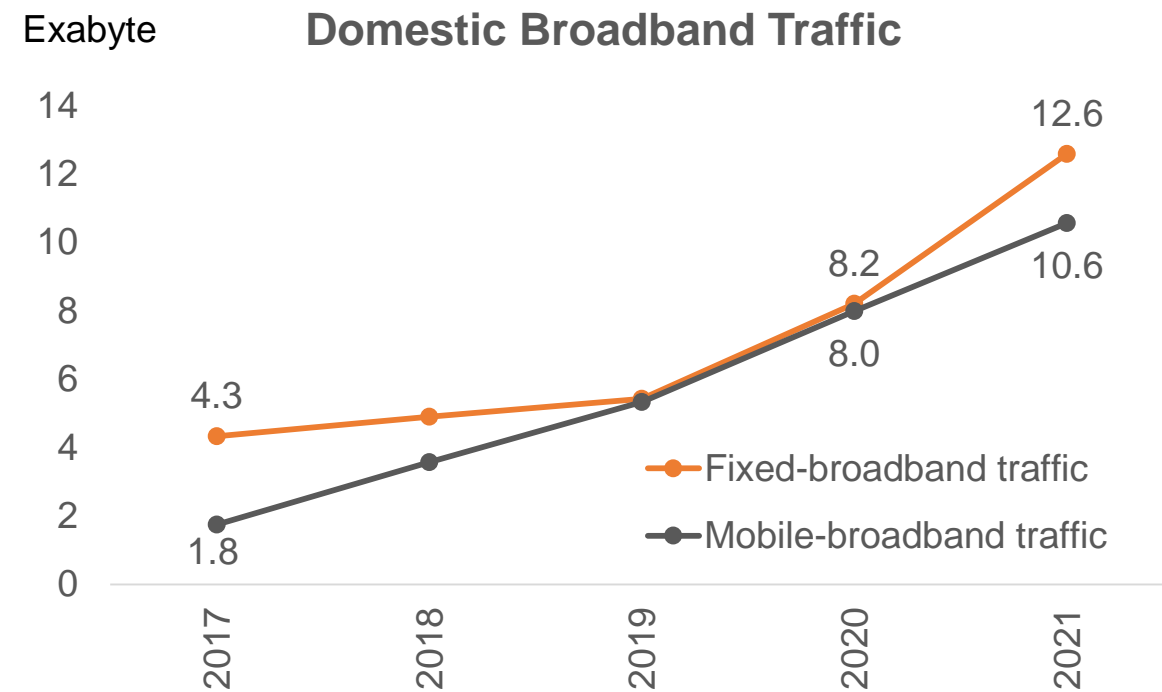
- + Rising internet consumption as reflected by an increase in internet bandwidth which peaked at 1.46Tbps in Jun 2022 - triple growth from 500Gbps in 2019.

2 Computer programming, consultancy, and related activities

- + Digitalisation era boost demand for ICT services
- + Rising mobile apps hardware, and computer software
- + High demand for IT/ cyber security to prevent fraud, unauthorised access to computers, network and data

3 Information services activities

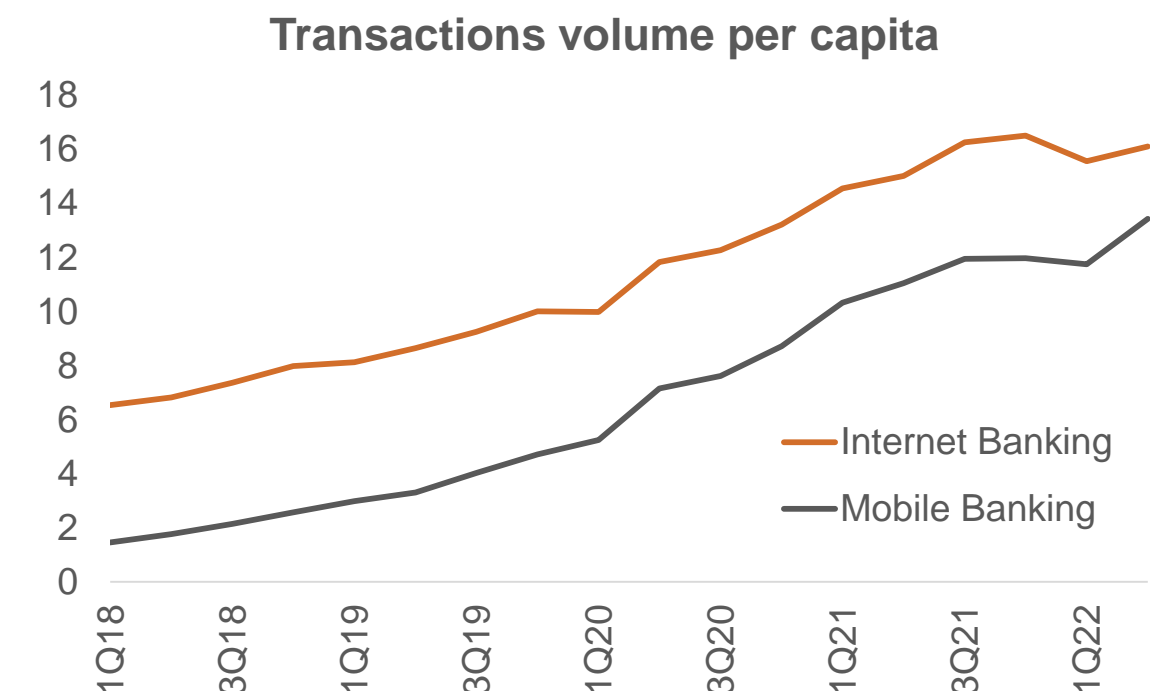
- + Switch from on-premises databases to cloud (demand for data centre)
- + Tax incentives for data centre projects



Telecommunication

Positive

- + **Domestic internet consumption** for fixed and mobile showed **strong growth** in 2021, up 53% YoY and 32%, respectively.
- + **Rising demand for internet-based services and IoT home automation/ smart appliances** as well as faster internet speed will propel demand for internet consumption & data centre.
- + **High infrastructure investment for 5G & fibre optic network.** Digital National Berhad is expected to spend RM16.5 bil and aims to achieve **40% 5G population coverage by end-2022; 80% by end-2024.** (2Q 2022: 27%)
- + Phone makers are aggressively introducing **5G mobile phones.**
- **High entry barrier, capital intensive.** Sunk costs (licensing) for new players & oligopoly market.
- Delay in DNB equity stake could derail the 5G rollout timeline including service offering (internet/network subscription to the public)

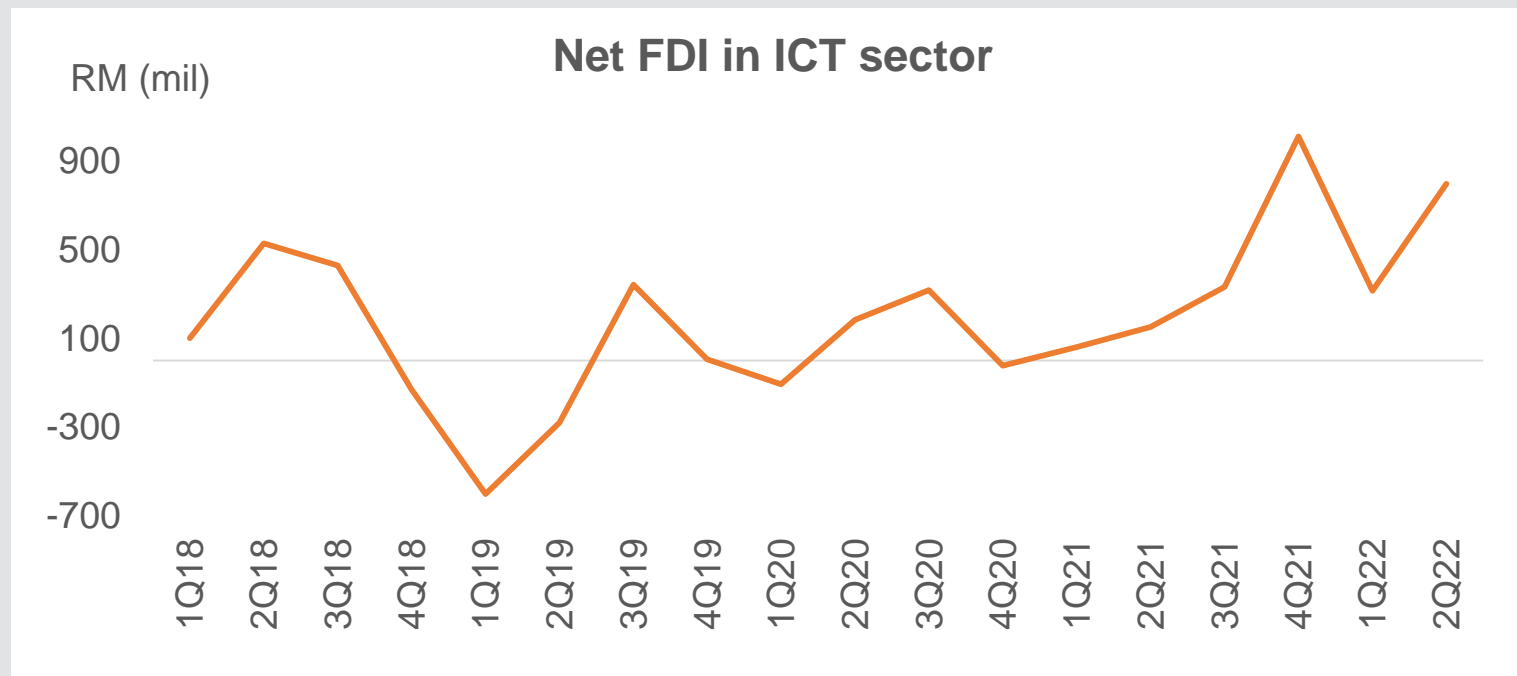


Computer programming, consultancy, & related activities

Positive

- + Government and private sector have embarked on advanced automation by adopting **IR 4.0 and digitalisation projects** including cashless payment system, e-commerce, QR & barcode system, RFID and automated borders scanner.
- + **Rising mobile apps** among businesses (e.g, food & e-hailing apps, investment & banking apps, e-wallet) will thrive for **development and maintenance services.**
- + Uptrend in **internet-based payment and cybersecurity requirements** will translate into better demand for computer programming, consultancy, and IT security.
- **Competitive market.** The IT services sector is transitioning from providing basic services (outsourcing) to delivering value-added services (analytics consulting) which has higher-margins.
- **High cost for software & hardware (inflation & ringgit depreciation).** Price producer index (PPI) for communication equipment rose 10.3% in Jul 2022 (Jun: 6.4%). Meanwhile, import of ICT products stood at RM189.0 bil or 23.6% of total import in 2020 (2018: 21.7% of imports).

Incoming FDI in ICT sector is expected to continue, aided by govt support



Malaysia is connected and surrounded by a web of submarine cables (high speed internet connectivity), alluring for ICT investment



Information services activities

Positive

- + The Malaysian **data centre market** is experiencing an **influx of investments** thanks to:
 - Inherent land constraints and tight regulation in Singapore,
 - Rising number of businesses shifting their operations to cloud and big data,
 - Tax incentives (Digital Ecosystem Acceleration scheme),
 - Malaysia is connected and surrounded by a web of submarine cables (high speed internet connectivity).
- + **Government targets 80% usage of cloud storage by end of 2022.** In the private sector space, latest investments in 2022 were from YTL and Sea Group (RM1.5 bil) and NTT LTD (RM224.55 mil). Telekom Malaysia is also committed to invest RM12-15 bil over 5 years into hyperscale data centres while Microsoft pledged to invest USD1 bil over 5 years, back in April 2021. **These will generate hardware demand, as well as software and IT support services.**
- + **Digitalisation** also creates demand for IT solutions such as web development, web hosting and email, infrastructure, and application over the internet. Based on a report from GlobalData Market Opportunity Forecasts, **ICT spending** in Malaysia will reach **USD25.2 bil by 2023** (2021: USD15.86 bil).
- **Stiff competition** in the data centre market with **ASEAN countries**, especially Indonesia and Thailand due to **low electricity tariffs**.
- **Malaysia's 5G rollout lags behind Singapore and Thailand** (i.e. Malaysia's speed in data transmission is slower).

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